



## CITY OF TEMPE REQUEST FOR CFD BOARD ACTION

CFD Board Meeting Date: 6/12/2014  
Agenda Item: 2

**ACTION:** Adopt a resolution approving the Modified Finance Plan dated June 27, 2013, levying the Annual Assessment relative to the Rio Salado Community Facilities District (City of Tempe, Arizona) Improvement Project Number 1 pertaining to the acquisition, construction and annual maintenance of certain improvements within the District; approving the tentative budget of the Rio Salado Community Facilities District (City of Tempe, Arizona) for the Fiscal Year 2014/2015; setting the date for and ordering the giving of notice of a public hearing to receive objections on the assessments and tentative budget. The public hearing is scheduled for June 26, 2014.

**FISCAL IMPACT:** The proposed budget for FY 2014/15 is \$3,908,830, which includes \$3,329,200 for the budget assessed to property owners and \$579,630 of carry forward appropriation for capital infrastructure needs. The City's portion of the allocated assessments, including the subsidy for undeveloped parcels, is approximately \$2,607,200.

**RECOMMENDATION:** Adopt Resolution No. CFD R2014.1

**BACKGROUND INFORMATION:** The Cost Index Factor for vacant land within the CFD is currently indexed at 5%, which is applied each July 1<sup>st</sup>. At its June 27, 2013 meeting, the Rio Salado Community Facilities District proposed modifying the index rate to match the West Urban CPI rate will match the inflation rate for the region. The rate adjustment will be retroactive to the 2009/10 fiscal year, which is the last year after the most recent Certificate of Occupancy was issued to the A Loft Hotel.

The average interest rate of the City of Tempe's bonds for the original construction of the lake is now at 3.64%. The Modified Finance Plan (**Exhibit B** of Resolution No. CFD R2014.1) calls for an adjustment to this average rate. We also request to take this rate back to the 2009/10 fiscal year.

Asset Management within the CFD was originally identified as the dams and the pump wells around the Tempe Town Lake. The earlier than anticipated need to replace the west dam system and the economic climate of the past five years has rendered this plan impractical. The new Asset Management Plan would include all capital assets from lake edge-to-lake edge and dam-to-dam.

The tentative budget presented to the Community Facilities District Board of Directors is comprised of two components: Capital expenses associated with the construction of the Tempe Town Lake and an operating budget. In 1997, the City Council and the Community Facilities District Board established a budget for construction of the Town Lake at \$44,849,700.12 and estimated the first five full years of operating and maintenance expenses to be between \$3,001,877 and \$3,422,133 per year.

Following the completion of the Town Lake and the audit of construction costs, the Capital project has been finalized at \$44,849,700.12. As mandated by the Rio Salado Finance Plan, capital cost recovery takes place following construction and the issuance of a Certificate of Completion. To minimize the potential for vacant land banking, the capital assessment charged to each parcel within the Community Facilities District is increased by an amount equal to the rate borne by the bonds used to finance the lake construction (currently 3.64%). This is also true for parcels that had existing structures at the time the CFD was created but do not pay the assessment unless a change in zoning or to the structure occurs. Approval of the budget would include authorization by the City of Tempe to fund \$2,929,400 for fiscal year 2014/2015 to cover the eighteenth year debt service on the Capital Budget per the approved Finance Plan. Again, this principal and interest payment is recovered through the capital assessment as private development occurs within the CFD.

The tentative Budget for the fiscal year 2014/2015 (**Exhibit D** of Resolution No. CFD R2014.1) consists of costs associated with administration, operating the dams and recovery wells, water management and replacement, utilities, park and lake maintenance and security, insurance, water quality monitoring and treatment, and a sinking fund for future infrastructure replacement. **The tentative Budget for fiscal year 2014/2015 is \$3,908,830, including \$3,329,200 assessable to**

**property owners and \$579,630 of carry forward capital infrastructure appropriation.** The Rio Salado Enhanced Services Commission recommended approval of this budget to the CFD Board on April 9, 2014.

The table on the next page is a breakdown of the expense categories illustrating the past four years, the current year (2013/2014) as projected through June 30, 2014, and the tentative 2014/2015 budget:

CFD Expense Category	ACTUALS				CURRENT	PROPOSED
	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014*	2014/2015
Administration/Project Mgt	\$481,000	\$400,122	\$396,394	\$370,800	\$400,200	\$400,800
Lake Operations	\$293,018	\$327,721	\$260,192	\$264,846	\$265,000	\$395,300
Water Quality Management	\$192,180	\$351,061	\$287,177	\$135,558	\$199,000	\$270,000
Security	\$560,857	\$526,230	\$394,108	\$326,571	\$335,000	\$347,000
Lake Surface, Shoreline Cleanup, & Landscaping	\$513,933	\$382,657	\$415,280	\$402,726	\$395,000	\$511,500
Electricity	\$226,402	\$146,926	\$183,815	\$245,285	\$282,000	\$280,000
Replacement Water	\$1,634	\$38,777	\$86,362	\$330,380	\$385,000	\$334,200
Equipment	\$94,400	\$46,466	\$40,660	\$51,000	\$55,000	\$55,000
Audit	\$830	\$745	\$867	\$902	\$1,000	\$1,000
Liability Insurance Premium	\$61,439	\$61,439	\$64,628	\$64,628	\$64,628	\$73,985
Contingencies	\$0	\$0	\$0	\$0	\$0	\$0
Infrastructure Replacement	\$531,000	\$531,000	\$531,000	\$531,000	\$579,630	\$730,485
Infrastructure Replacement Reserve	\$0	\$0	\$0	\$0	\$0	\$579,630
Less: Projected Revenues	<b>-\$44,383</b>	<b>-\$36,326</b>	<b>-\$74,952</b>	<b>-\$80,604</b>	<b>-\$75,000</b>	<b>-\$70,070</b>
<b>TOTAL CFD BUDGET</b>	<b>\$2,912,310</b>	<b>\$2,776,818</b>	<b>\$2,585,532</b>	<b>\$2,643,092</b>	<b>\$2,886,458</b>	<b>\$3,908,830</b>

\* Projected through June 30, 2014

Administration/Project Management: The budget for the administration of the Community Facilities District consumes 13.4% of the non-administrative costs, or \$400,800. The budgeted amount reflects a reduction in the cost of staff and advertising.

Lake Operations: Lake operations involves the efforts to monitor and maintain the dams, the wells, the water level, and maintain the river channel. A portion of the dam and lake operation is performed by Salt River Project (SRP) by contract. The budget is \$72,800 more than last year's budget. The increase was necessary to cover potential contracted expenses. Another consideration is due to the unknown nature of time & material expenses that will increase if there is a flow down the Salt River. Other expenses include the required reports for Arizona Department of Water Resources – Dam Safety, improvements to Emergency Warning System equipment, and an uninterruptible power supply system maintenance for computers at the west dam pump house.

Water Quality Management: Aquatic Consulting provides water quality and vector control management services on the lake. A decrease of \$92,895 from the current year budget of \$362,895 because we no longer will be pumping nuisance water through a by-pass pipe. The need to treat the lake water may increase because we do not pump anymore. We continue to treat the lake area to address vector control.

Security: The security contract associated with the DTC provides ample coverage at a considerable savings. A Police Sergeant continues to supervise and coordinate security needs around and on Tempe Town Lake; this cost is split with the Police Department between the CFD and Tempe. The budget does allow for costs to cover fuel and maintenance costs for a security vehicle and boat. A small increase of \$6,700 from the current \$340,300 budget is projected due to a contract renewal in January of 2015.

Lake Surface, Shoreline Cleanup, and Landscaping: The Public Works Department – Park Maintenance has submitted a “cost for service” proposal which includes park and landscape maintenance for the northern portion of Tempe Beach Park, the linear parks, marina, and bike path sweeping. Lake surface clean-up is provided by contract. These maintenance

services are provided at an enhanced level in the lake area. An increase in park and lake maintenance services is sought in the amount of \$11,200 from the current year's budget of \$500,300.

Electricity: The electricity budget is \$5,000 more than the current year's budget of \$275,000 because the pumps in the 10 wells around the lake are projected to be used more this coming year. The treated water from the Riverview treatment plant is no longer flowing over into Tempe Town Lake, so the lake is not the recipient of free water as it has been in the past. The electricity budget covers power expenses for the 10 pump wells, the 2 pump buildings, the marina recirculation pump, the sump pump at the west dams, and the lights for the multi-use path on the north and south sides of the lake.

Replacement Water: The budgeted cost of replacement water increased by \$30,100 due to the projected evaporation and, again, the elimination of water coming downstream from the east. The current year's budget is \$304,100.

Equipment: The amount of the equipment sinking fund remains the same as the current year's \$55,000, which is a reflection of the variety of vehicles used in the CFD area. The five-year sinking fund to replace the remaining equipment is adjusted to recognize the effects of inflation. This represents the CPI for the Western region as published by the U.S. Department of Labor ([www.bls.gov/cpi/](http://www.bls.gov/cpi/)), All Urban Consumers (CPI-U) category.

Audit/Liability Insurance: The annual liability insurance premium budget has increased by 15% over the most recent payment. ADWR requires that the dams and infrastructure be insured. The audit expense estimate remained at \$1,000 due to cost savings achieved by being part of the overall City audit.

Infrastructure Replacement: A reserve for infrastructure replacement is used to replace capital items located within the lake area, identified as lake edge-to-lake edge, dam-to-dam. Some buoy replacement and dock repairs are expected, along with the replacement of the dock system at Tempe Beach Park. This need has added to the infrastructure replacement cost by \$150,855, but will allow the budget in the 2015/16 fiscal year to return to its 2013/14 level.

Contingency: The contingency budget has been eliminated.

Projected Revenues: An overall increase in projected revenues (boat permits, concessions, boating classes, park permits) is expected based on current year boat permit and lake use permit revenues, and historical collections. The boat rental concession is providing new revenue as well.

Debt Service: The City of Tempe is currently paying the debt service on the \$40.5 million in bonds issued to cover the cost of constructing the lake. The capital CFD assessment on developed properties is ultimately repaying 60% of that debt. The amount to re-appropriate from the estimated 2013/14 carry-forward balance is \$579,630.

The original bonds were based on a floating rate. For budgeting purposes a 5% flat rate was estimated. In 2003 the debt was fixed to an average 4% rate, and in 2012 the bonds were again refinanced at an average 3.64% rate. The debt service budget and actual expenses are presented below.

CFD Debt Service	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
Budget	\$3,057,080	\$3,056,880	\$3,059,331	\$3,088,562	\$2,930,697	\$2,929,400
Actual Debt Service Expense	\$3,061,493	\$3,061,276	\$2,910,907	\$3,030,000	*\$3,000,000	N/A

\* Projected through end of fiscal year

**Summary: Overall, the CFD assessment budget proposed for fiscal year 2014/2015 is \$179,200 more (5.4%) than the current year's budget.** Costs associated with infrastructure replacement, replacement water and electricity for lake and park

operations are largely responsible for the difference between current expenses and the tentative CFD budget proposed for fiscal year 2014/2015.

**Actual expenditures for FY 2013/2014 are projected to be approximately \$263,540 less than the approved Budget due to cost savings realized through reduced security costs and lake operations savings.** CFD assessment collections are estimated to be \$674,535. Debt service payments on the Town Lake are funded by the City's Debt Service Fund and covered in its Debt Management Plan.

**ATTACHMENTS:** Resolution, Modified Finance Plan (6/27/2013), Community Facilities District Map, 2014/15 CFD O&M Budget, Notice of Public Hearing

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